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Assets invested in hedge funds via the leading managed account platforms rose 15.9% to $72.8 billion over the year June 2011-June 2012, though a single company accounted for much of this growth, writes Kris Devasabai.

InfraHedge launch boosts industry AUM

InfraHedge, a State Street-owned hedge fund managed account platform (MAP) launched in early 2011, has raised $7.6 billion from investors despite relatively flat asset growth at many of its rivals, a survey of the leading MAPs conducted by Hedge Funds Review reveals.

Total assets invested in the 15 largest MAPs grew to $72.8 billion at the end of June, an increase of 15.9% from $62.8 billion the previous year.

The assets raised by InfraHedge since it started operations in 2011 accounted for 12.1% of asset growth among the largest MAPs. Excluding InfraHedge, industry assets grew by only 3.8% or $2.4 billion.

Deutsche Bank ranks as the largest MAP provider with $11.8 billion in assets across its dbalternatives and dbSelect platforms. The dbalternatives platform has $6.7 billion in assets, down nearly 7% from $7.2 billion in 2011, while dbSelect grew 8.5% to $5.1 billion from $4.7 billion a year ago.

Lyxor operates the largest single platform, with $10.9 billion invested via its MAP. The platform's assets under management (AUM) fell 2.7% from $11.2 billion last June.

AlphaMetrix reported $8.4 billion in assets on its MAP, up 33% from $6.3 billion the previous year. However, this total includes assets invested in 'transparent funds' listed on the platform, which are not structured as segregated accounts.

FRM, now part of Man, reported assets on its MAP fell 7.3% to $7.6 billion from $8.2 billion previously.

The most significant entry in the list of leading MAPs is InfraHedge, which has grown rapidly in the past 12 months to tie with FRM as the fourth-largest platform provider.

State Street acquired a majority stake in InfraHedge in July 2011, a few months after the company's launch.

InfraHedge's business model is different from that of the other large MAPs. Rather than operating its own public platform, the company provides the infrastructure for large, sophisticated investors to set up their own private MAPs.

"The essence of our model is flexibility," says Akshaya Bhargava, CEO of InfraHedge. "The investor chooses the strategies, managers, service providers, domicile and legal structure of the platform. We then set everything up to their specifications, handle the day-to-day operational processes and daily risk monitoring and provide investors with custom reports."

Bhargava says InfraHedge's target clients include large pension funds, endowments and sovereign wealth funds as well as asset allocators, such as private banks and funds of hedge funds.

In August, the company announced a deal with Singapore-based Milltrust International Group to build a dedicated managed accounts platform to invest in emerging markets managers. Bhargava declined to name other clients.

InfraHedge's clients are large enough to command segregated accounts from hedge funds and they tend to have in-house teams that handle manager research and due diligence. Unlike other MAPs, InfraHedge does not offer these services to its clients. Instead, its focus is on providing infrastructure, operations, risk monitoring and reporting to investors.

InfraHedge powers into top tier of MAPs following successful launch

InfraHedge is not alone in building dedicated MAPs for large investors. Lyxor and FRM have won sizable private platform mandates from pension funds in Europe and the US. These deals have helped offset a decline in MAP assets tied to retail-oriented structured products.

The survey also shows that 51.3% of MAP assets are concentrated in macro, including currency and commodity strategies, and managed futures programs. The remainder is split between equity hedge (18.1%), event driven (14%) and relative value (12.4%) strategies, with another 4.2% in other investments, such as tail hedges and real estate investment trusts (REITs).

The strategy mix is changing, with many platforms actively seeking to increase the number of event driven and relative value strategies they offer to investors.

Most platforms require a minimum investment of $100,000 to $250,000, though this can be as high as $25 million for some platforms.

Platform fees generally ranged from 25 basis points (bp) to 75 bp, with AlphaMetrix offering the lowest rate for investors at only 10 bp.

The Cayman Islands was the most popular domicile, with six of the 15 MAPs having accounts in the jurisdictions, followed by Ireland (4), Bermuda (2) and Jersey (2). ■